

AUDIT REPORT

TOWN OF STRINGTOWN, OKLAHOMA

JUNE 30, 2014



KERSHAW CPA & ASSOCIATES, PC

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TOWN OF STRINGTOWN, OKLAHOMA
JUNE 30, 2014

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| INTRODUCTORY SECTION: | |
| TOWN OFFICIALS | 4 |
| FINANCIAL SECTION: | |
| INDEPENDENT AUDITOR'S REPORT | 5-7 |
| BASIC FINANCIAL STATEMENTS: | |
| Government-Wide Financial Statements: | |
| EXHIBIT A STATEMENT OF NET POSITION | 8 |
| EXHIBIT B STATEMENT OF ACTIVITIES | 9 |
| Fund Financial Statements: | |
| EXHIBIT C BALANCE SHEET - GOVERNMENTAL FUNDS | 10 |
| EXHIBIT D STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS | 11-12 |
| EXHIBIT E STATEMENT OF NET POSITION - PROPRIETARY FUND | 13 |
| EXHIBIT F STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND | 14 |
| EXHIBIT G STATEMENT OF CASH FLOWS - PROPRIETARY FUND | 15 |
| NOTES TO THE FINANCIAL STATEMENTS | 16-27 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| EXHIBIT H BUDGETARY COMPARISON SCHEDULE - GENERAL FUND | 28 |
| EXHIBIT I BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUNDS | 29 |

TOWN OF STRINGTOWN, OKLAHOMA
JUNE 30, 2014

| | |
|---|-------|
| NOTES TO BUDGETARY COMPARISON SCHEDULE | 30 |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 31-32 |
| SCHEDULE OF FINDINGS | 33 |
| OTHER SUPPLEMENTARY INFORMATION: | |
| EXHIBIT J COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS | 34 |
| EXHIBIT K COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS | 35 |

TOWN OF STRINGTOWN, OKLAHOMA
TOWN OFFICIALS
JUNE 30, 2014

BOARD OF TRUSTEES

| | |
|---------|----------------|
| MAYOR | CHESTER EDGE |
| TRUSTEE | SONNY RICHARDS |
| TRUSTEE | RANDY HARRIS |

TOWN CLERK/TREASURER

SUSIE MOORE

KERSHAW CPA & ASSOCIATES, PC

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Stringtown, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Stringtown, Oklahoma, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting

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estimates made, by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Stringtown, Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles general accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Information be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Stringtown, Oklahoma has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. However, the Town has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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Supplementary and Other Information

The introductory and other supplementary sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Town. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2014, on our consideration of the Town of Stringtown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Town of Stringtown's internal control over financial reporting and compliance.

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC

December 11, 2014

TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2014

| | Primary Government | | |
|---|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | 2014 Total |
| <u>ASSETS</u> | | | |
| <u>Current Assets:</u> | | | |
| Cash and cash equivalents | \$ 341,079 | \$ 213,688 | \$ 554,767 |
| Accounts Receivable | 15,185 | 30,568 | 45,753 |
| Due to (from) Funds | - | - | - |
| Total Current Assets | 356,264 | 244,256 | 600,520 |
| <u>Capital Assets:</u> | | | |
| Land, and improvements | - | 2,046,213 | 2,046,213 |
| Other Capital Assets | 1,340,058 | 157,875 | 1,497,933 |
| Less: Accumulated Depreciation | (761,971) | (1,580,012) | (2,341,983) |
| Total Capital Assets | 578,087 | 624,076 | 1,202,163 |
| TOTAL ASSETS | 934,351 | 868,332 | 1,802,683 |
| <u>LIABILITIES</u> | | | |
| <u>Current Liabilities:</u> | | | |
| Accounts Payable | 5,309 | 2,284 | 7,593 |
| Unearned Traffic Bonds | - | - | - |
| Other Payable | - | 23,373 | 23,373 |
| Current Portion of Long-Term Debt | - | 2,013 | 2,013 |
| Total Current Liabilities | 5,309 | 27,670 | 32,979 |
| <u>Long-Term Liabilities:</u> | | | |
| Notes Payable | - | 43,150 | 43,150 |
| Capital Lease | - | - | - |
| Less: Current Portion of Long-Term Debt | - | (2,013) | (2,013) |
| Total Long-Term Liabilities | - | 41,137 | 41,137 |
| TOTAL LIABILITIES | 5,309 | 68,807 | 74,116 |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets | 578,087 | 580,926 | 1,159,013 |
| Restricted for: | | | |
| Debt Service | - | - | - |
| Other Purposes | - | 4,116 | 4,116 |
| Unrestricted | 350,955 | 214,483 | 565,438 |
| TOTAL NET POSITION | \$ 929,042 | \$ 799,525 | \$ 1,728,567 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses)/ Revenue |
|----------------------------------|-------------------|-------------------------|--|--|-------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| General Government | \$ 146,690 | \$ - | \$ - | \$ - | \$ (146,690) |
| Police Protection | 157,666 | 255,032 | 6,021 | - | 103,387 |
| Fire Protection | 33,911 | - | 4,474 | - | (29,437) |
| Highways & Streets | 46,954 | - | - | - | (46,954) |
| Total Governmental Activities | 385,221 | 255,032 | 10,495 | - | (119,694) |
| Business-type activities: | | | | | |
| Water | 243,051 | 262,737 | - | - | 19,686 |
| Sanitation | 40,281 | 43,577 | - | - | 3,296 |
| Sewer | 18,341 | 16,640 | - | - | (1,701) |
| Misc. Business-type activities | 58,783 | 9,085 | - | - | (49,698) |
| Total Business-type Activities | 360,456 | 332,039 | - | - | (28,417) |
| Total | \$ 745,677 | \$ 587,071 | \$ 10,495 | \$ - | \$ (148,111) |

Changes in Net Position:

| | Governmental Activities | Business-Type Activities | Total |
|--------------------------------------|----------------------------|-----------------------------|--------------|
| Net (expense)/revenue | \$ (119,694) | \$ (28,417) | \$ (148,111) |
| General revenues: | | | |
| Taxes: | | | |
| Franchise | 13,416 | - | 13,416 |
| Licenses | 210 | - | 210 |
| SODA Reimbursements | 4,200 | - | 4,200 |
| Intergovernmental: | | | |
| Alcohol Beverage Tax | 13,475 | - | 13,475 |
| Gasoline Excise Tax | 730 | - | 730 |
| Motor Vehicle Tax | 3,665 | - | 3,665 |
| Cigarette Tax | 808 | - | 808 |
| Sales Tax | 71,580 | - | 71,580 |
| Interest Income | 484 | 134 | 618 |
| Miscellaneous Income | 6,051 | - | 6,051 |
| Transfers | - | - | - |
| Total general revenues & transfers | 114,619 | 134 | 114,753 |
| Sale of Assets | - | - | - |
| Changes in net position | (5,075) | (28,283) | (33,358) |
| Net position - beginning | 934,117 | 827,808 | 1,761,925 |
| Net position - prior year adjustment | - | - | - |
| Net position - ending | \$ 929,042 | \$ 799,525 | \$ 1,728,567 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF STRINGTOWN, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 294,069 | \$ 47,010 | \$ 341,079 |
| Accounts Receivable | 14,810 | 375 | 15,185 |
| Due to (from) Funds | 6,255 | (6,255) | - |
| TOTAL ASSETS | \$ 315,134 | \$ 41,130 | \$ 356,264 |
| LIABILITIES & FUND EQUITY | | | |
| LIABILITIES: | | | |
| Accounts Payable | \$ 5,309 | \$ - | \$ 5,309 |
| Unearned Traffic Bonds | - | - | - |
| TOTAL LIABILITIES | 5,309 | - | 5,309 |
| FUND BALANCES: | | | |
| Nonspendable | - | - | - |
| Restricted | - | 14,987 | 14,987 |
| Committed | - | - | - |
| Assigned | 103,117 | 14,178 | 117,295 |
| Unassigned | 206,708 | 11,965 | 218,673 |
| TOTAL FUND BALANCES | 309,825 | 41,130 | 350,955 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 315,134 | \$ 41,130 | |

Reconciliation to Statement of Net Position:

Amounts reported for governmental activities in the statement of net position are different because:

| | |
|---|---------|
| Capital assets used in governmental activities of \$1,340,058, net of accumulated depreciation of \$761,971, are not financial resources and, therefore, are not reported in the funds. | 578,087 |
|---|---------|

| | |
|--|---|
| Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds. | - |
|--|---|

| | |
|--|-------------------|
| Net Position of Governmental Activities | \$ 929,042 |
|--|-------------------|

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

EXHIBIT D

TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|--------------------------------|--------------------------------|
| <u>REVENUES:</u> | | | |
| Taxes: | | | |
| Franchise | \$ 13,416 | \$ - | 13,416 |
| Fines | 237,837 | - | 237,837 |
| Licenses | 210 | - | 210 |
| SODA Reimbursements | 4,200 | - | 4,200 |
| Intergovernmental: | | | |
| Alcohol Beverage Tax | 13,475 | - | 13,475 |
| Gasoline Excise Tax | - | 730 | 730 |
| Motor Vehicle Tax | - | 3,665 | 3,665 |
| Cigarette Tax | 808 | - | 808 |
| Sales Taxes | 71,580 | - | 71,580 |
| Grants | - | 10,495 | 10,495 |
| Miscellaneous Income | 19,315 | 3,931 | 23,246 |
| Interest Income | 420 | 64 | 484 |
| TOTAL REVENUES | 361,261 | 18,885 | 380,146 |
| <u>EXPENDITURES:</u> | | | |
| Current: | | | |
| General Government | 138,105 | - | 138,105 |
| Police Protection | 130,408 | 55 | 130,463 |
| Fire Protection | 7,086 | - | 7,086 |
| Highways & Streets | 43,760 | - | 43,760 |
| Capital Outlay | 1,914 | 6,254 | 8,168 |
| TOTAL EXPENDITURES | 321,273 | 6,309 | 327,582 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 39,988 | 12,576 | 52,564 |
| <u>OTHER FINANCING SOURCES (USES):</u> | | | |
| Operating Transfers In | - | - | - |
| Operating Transfers Out | - | - | - |
| Capital Debt Proceeds | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - |
| Sale of Asset | - | - | - |
| NET CHANGES IN FUND BALANCES | 39,988 | 12,576 | 52,564 |
| FUND BALANCE - BEGINNING OF YEAR | 269,837 | 28,554 | 298,391 |
| FUND BALANCE - PRIOR YEAR ADJUSTMENT | - | - | - |
| FUND BALANCE - END OF YEAR | \$ 309,825 | \$ 41,130 | 350,955 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Reconciliation to Statement of Activities:

| | | |
|--|----|--------|
| Net change in fund balances - total governmental funds | \$ | 52,564 |
|--|----|--------|

Amounts reported for governmental activities in the Statement of Activities are different because:

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

| | | |
|--|--|---|
| Capital debt obligation principal payments | | - |
|--|--|---|

Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Position:

| | | |
|-----------------------|--|---|
| Capital Debt Proceeds | | - |
|-----------------------|--|---|

Transfers of Water Distribution System to Stringtown Public Works Authority, Paid for with CDBG funds in the last two years and not requiring use of current financial resources

| | | |
|--|--|---|
| | | - |
|--|--|---|

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

| | | |
|-------------------------------------|--|----------|
| Capital asset purchases capitalized | | 8,168 |
| Depreciation expense | | |
| General Government | | (8,585) |
| Police Protection | | (27,203) |
| Fire Protection | | (26,825) |
| Highways & Streets | | (3,194) |
| Basis in Assets Sold | | - |

| | | |
|--|----|---------|
| | \$ | (5,075) |
|--|----|---------|

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014**

Stringtown
Public Works
Authority
Enterprise Fund
June 30, 2014

ASSETS**Current Assets:**

| | |
|-----------------------------|----------------|
| Cash and cash equivalents | \$ 213,688 |
| Accounts Receivable | 30,568 |
| Total Current Assets | 244,256 |

Capital Assets:

| | |
|--------------------------------|----------------|
| Land, and improvements | 2,046,213 |
| Other capital assets | 157,875 |
| Less: Accumulated Depreciation | (1,580,012) |
| Total Capital Assets | 624,076 |

TOTAL ASSETS

868,332

LIABILITIES & NET POSITION:**Current Liabilities:**

| | |
|-----------------------------------|---------------|
| Accounts Payable | 2,284 |
| Other Payable | 23,373 |
| Current Portion of Long-Term Debt | 2,013 |
| Total Current Liabilities | 27,670 |

Noncurrent Liabilities:

| | |
|---|---------------|
| Notes Payable | 43,150 |
| Less: Current Portion of Long-Term Debt | (2,013) |
| Total Noncurrent Liabilities | 41,137 |

TOTAL LIABILITIES

68,807

NET POSITION:

| | |
|----------------------------------|-------------------|
| Net investment in capital assets | 580,926 |
| Restricted for debt service | - |
| Restricted for other purposes | 4,116 |
| Unrestricted | 214,483 |
| TOTAL NET POSITION | \$ 799,525 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Stringtown Public Works Authority Enterprise Fund June 30, 2014 |
|---|--|
| <u>OPERATING REVENUES:</u> | |
| Charges for Services: | |
| Water Sales | \$ 262,737 |
| Sanitation Fees | 43,577 |
| Sewer Fees | 16,640 |
| Penalties | 7,442 |
| Miscellaneous Income | 1,643 |
| TOTAL OPERATING REVENUES | 332,039 |
| <u>OPERATING EXPENSES:</u> | |
| Water | 243,051 |
| Sanitation | 40,281 |
| Sewer | 18,341 |
| Miscellaneous | - |
| Depreciation | 56,578 |
| TOTAL OPERATING EXPENSES | 358,251 |
| NET OPERATING INCOME (LOSS) | (26,212) |
| NON-OPERATING REVENUES (EXPENSES) | |
| Interest Income | 134 |
| Interest Expense | (2,205) |
| Sale of Assets | - |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | (2,071) |
| NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS | (28,283) |
| Capital Contributions | - |
| Transfers in | - |
| Transfers out | - |
| CHANGE IN NET POSITION | (28,283) |
| TOTAL NET POSITION - BEGINNING | 827,808 |
| TOTAL NET POSITION - ENDING | \$ 799,525 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

EXHIBIT G

**TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | <u>2014</u> |
|---|--------------------------|
| <u>Net Cash Flows from Operating Activities:</u> | |
| Cash Receipts from Customers | \$ 327,811 |
| Other Cash Receipts | 1,317 |
| Payments to Suppliers for Goods & Services | (248,436) |
| Payments to Employees and Laborers | (60,880) |
| Net Cash Provided (Used) by Operating Activities | <u>19,812</u> |
| <u>Net Cash Flows from Non-Capital Financing Activities:</u> | |
| Transfers to other funds | - |
| Transfers from other funds | - |
| Net Cash Provided (Used) by Non-Capital Financing Activities | <u>-</u> |
| <u>Net Cash Flows from Capital & Related Financing Activities:</u> | |
| Capital grant received for construction/purchase of capital assets | - |
| Additions to Capital Assets | (425) |
| Proceeds from sale of Capital Assets | - |
| Loan Proceeds Received | - |
| Principal paid on Notes Payable | (1,907) |
| Interest Expense | (2,210) |
| Net Cash Provided (Used) by Capital & Related Financing Activities | <u>(4,542)</u> |
| Net Cash Flows from Investing Activities: | |
| Interest Income | 134 |
| Net Cash Provided (Used) by Investing Activities | <u>134</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 15,404 |
| Cash & Cash Equivalents, Beginning of Year | 198,284 |
| Cash & Cash Equivalents, Prior Year Adjustment | - |
| Cash & Cash Equivalents, End of Year | <u><u>\$ 213,688</u></u> |
| <u>Reconciliation of operating income (loss) to net cash provided</u> | |
| <u>operating activities:</u> | |
| Operating Income (Loss) | \$ (26,212) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | |
| Depreciation Expense | 56,578 |
| (Increase)Decrease in Accounts Receivable | (4,962) |
| Increase(Decrease) in Other Payables | 38 |
| Increase(Decrease) in Accounts Payable | (5,630) |
| Net Cash Provided (Used) by Operating Activities | <u><u>\$ 19,812</u></u> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Town of Stringtown, Oklahoma, are summarized below.

A. FINANCIAL REPORTING ENTITY

The Town's financial reporting entity is comprised of the following:

| | |
|--------------------------|---|
| Primary Government: | Town of Stringtown |
| Blended Component Units: | Stringtown Public Works Authority (SPWA) |

PRIMARY GOVERNMENT

The reporting entity includes the primary government of the Town of Stringtown, Oklahoma (the Town) and its component unit, Stringtown Public Works Authority (the Authority). Financial information for the Stringtown Public Works Authority is blended with the financial information of the Town of Stringtown as an enterprise fund. The Board of Trustees of the Town and the Authority are identical in membership. The Authority operates water and sewer services of the town. The Town does not have component units other than the Authority.

BLENDED COMPONENT UNITS

A blended component unit is a separate legal entity for which the elected officials of the primary government are financially accountable and that meets the blended component unit criteria. A blended component unit meets at least one of the following criteria: (a) the blended component unit's governing body is the same or substantially the same as the Town Council, and there is a financial benefit or burden relationship with the Town, or Town management has operational responsibility for the component unit; (b) the component unit provides services entirely or almost entirely to the Town; or (c) the component unit's debt is expected to be repaid entirely or almost entirely with resources of the Town. The blended component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. Based on the foregoing criteria, the financial statements of the following component units are blended into the accompanying financial statements:

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Stringtown Public Works Authority. The SPWA is a separate legal entity from the Town, and is not governed by the same constitutional and statutory requirements applicable to the Town. However, for financial reporting purposes the Authority reports revenues, expenditures and related assets and obligations using the same basis of accounting as the Town.

B. BASIS OF PRESENTATION

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services.

Fund Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts, which include its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into one generic fund type and two broad fund categories as follows:

GOVERNMENTAL FUND TYPES

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Special Revenue Funds

(Street & Alley Fund, Drug Fund, Volunteer Fire Fund, Dare Fund, and CDBG)

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUND TYPES

Proprietary funds are accounted for using the economic resources measurement focus: the accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheets.

C. BASIS OF ACCOUNTING

The Town uses the accrual basis of accounting for governmental fund types. The accrual basis of accounting recognizes revenues when both measurable and available. Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

D. BUDGETARY DATA

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

The Statement of Revenues Collected, Expenditures, and Changes in Fund Balances - Budget and Actual for the General Fund, Street & Alley Fund, D.A.R.E. Fund, Drug Fund, CDBG Fund and Volunteer Fire Fund present comparisons of legally adopted budgets with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles.

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. Unused appropriations of annually budgeted funds lapse at the end of the year.

E. FINANCIAL POSITION

CASH AND CASH EQUIVALENTS

For the purposes of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

ACCOUNTS RECEIVABLE

The Town and Authority have accrued amounts using the basis of accounting notes in 1(C). The Town has accrued certain taxes to be received in July 2014 as accounts receivable. The Authority has accrued amounts due as of June 30, 2014 as a result of its operation of the water and sewer system. The Authority has not reduced the accounts receivable by an allowance for doubtful accounts because it believes the ultimate amount received will be materially similar to the amount accrued.

CAPITAL ASSETS

The capitalization threshold has been set at \$500.00. Assets purchased by the Town or PWA are recorded as assets at cost or if contributed property at the estimated fair market value at the time of contribution. Repairs and maintenance cost are recorded as expenses. The sale or disposition of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Assets are depreciated over their useful lives of 5 to 40 years using the straight-line method.

NET POSITION/FUND BALANCE CLASSIFICATIONS

Government-Wide Statements

Net position is classified and displayed in three components:

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the Town's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.
- Unassigned - Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

There are no major special revenue funds for the current year. All special revenue funds are considered non-major.

F. REVENUES, EXPENDITURES AND EXPENSES

Property Tax

For the year ended June 30, 2014, the Town levied no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

Expenditures/Expenses

For purposes of the combined operating statements, expenditures/expenses are classified as follows:

| | |
|-------------------------|---|
| Governmental Fund Types | -By Character: Current (further classified by activity)Capital Outlay |
| Proprietary Fund Types | -By Operating and Non- Operating |

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Governmental fund types report expenditures of financial resources. Proprietary fund types normally report expenses relating to use of economic resources.

G. USE OF ESTIMATES

The preparation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the Authority for this fiscal year.

Excess of Expenditures Over Appropriations

The Town's total charges to appropriations did not exceed budgeted amounts.

NOTE 3 - DEPOSITS, INVESTMENTS AND COLLATERAL

Custodial Credit Risk

At June 30, 2014, the Town held deposits of approximately \$554,767 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school Town tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school Town.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 4 - RESTRICTED ASSETS

The loan agreement between USDA Rural Development and Stringtown Public Works Authority requires a reserve account be maintained with monthly contributions of \$34.30 until the balance equals total principal and interest payments for one year. The current reserve requirement balance is \$4,116.00. At June 30, 2014, the reserve balance was \$4,116.00.

Any expenditures from the reserve account require prior written approval from the lending agency.

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 - PROPERTY AND EQUIPMENT

Governmental Activities:

Capital Assets of the Town are depreciated over the useful life of the asset using the straight-line method. Estimated useful lives are from 5 to 40 years.

Capital asset activity, for the fiscal year ended June 30, 2014, was as follows:

| | Balance 7-1-13 | Additions | Deductions | Balance 6-30-14 |
|--------------------------------|-------------------|--------------------|-------------|--------------------|
| Administrative Capital Assets | \$ 351,798 | \$ - | \$ - | \$ 351,798 |
| Police Dept. Capital Assets | 292,600 | - | - | 292,600 |
| Fire Dept. Capital Assets | 640,540 | 8,168 | - | 648,708 |
| Street & Alley Capital Assets | 46,952 | - | - | 46,952 |
| Subtotal | 1,331,890 | 8,168 | - | 1,340,058 |
| Less: Accumulated Depreciation | (696,164) | (65,807) | - | (761,971) |
| Net Capital Assets | <u>\$ 635,726</u> | <u>\$ (57,639)</u> | <u>\$ -</u> | <u>\$ 578,087</u> |

Depreciation expense for the year ended June 30, 2014, aggregating \$65,807, has been computed on assets with a cost basis totaling \$1,340,058.

The additions for the year included radios for \$6,254 and tool boxes for \$1,914 totaling \$8,168.

The Town of Stringtown receives a utility reimbursement of \$350.00 per month for twelve months from SODA.

Business-Type Activities:

Property and equipment of the Authority is depreciated over the useful life of the asset using the straight-line method. Estimated useful lives are: system facilities 40 years and equipment 5 to 10 years.

Capital asset activity, for the fiscal year ended June 30, 2014, was as follows:

| | Balance 7-1-13 | Additions | Deductions | Balance 6-30-14 |
|--------------------------------|-------------------|--------------------|-------------|--------------------|
| Land & Improvements | \$ 2,046,213 | \$ - | \$ - | \$ 2,046,213 |
| Other Capital Assets | 157,450 | 425 | - | 157,875 |
| Subtotal | 2,203,663 | 425 | - | 2,204,088 |
| Less: Accumulated Depreciation | (1,523,434) | (56,578) | - | (1,580,012) |
| Net Capital Assets | <u>\$ 680,229</u> | <u>\$ (56,153)</u> | <u>\$ -</u> | <u>\$ 624,076</u> |

Depreciation expense for the year ended June 30, 2014, aggregating \$56,578.00, has been computed on assets with a cost basis totaling \$2,204,088.

The addition for the year included tractor forks for \$425.

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 - ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Accumulated unpaid vacation and sick leave benefits have not been shown as a liability in the financial statements. The Town's position is that any accrued benefits are not significant and would not materially affect the financial statements.

NOTE 7 - PENSION PLAN

1. Employee Pension Plan (Other Than Firemen)

The Town of Stringtown provides pension benefits for all of its full-time employees through a joint contributory, defined contribution plan in the state-wide Oklahoma Municipal Retirement System (OMRS), an agent multiple-employer public employee retirement system. The plan is a 403(B) defined contribution plan. The Town of Stringtown's volunteer firemen are covered by a separate pension plan (see note below); therefore, they are not included in the Oklahoma Municipal Retirement System plans.

The Town withheld 5.0% of gross wages from the employees payroll check and matched it at 5.0% for the year ended June 30, 2014. In addition to the 5.0% withheld from gross wages, the employees are permitted to contribute an additional amount up to an additional 5.0%.

2. Volunteer Firemen's Pension Plan

All of the Town's Voluntary Firemen are covered by the firemen's pension plan. This contributory plan is operated as a part of the Oklahoma Firefighters Pension and Retirement Fund and is administered by the Oklahoma Firefighters Pension and Retirement Board.

NOTE 8 - COMPONENT UNIT

Stringtown Public Works Authority is a "Public Trust" created under a special Oklahoma Law. The Trust is a vehicle used to obtain financing for water and sewer projects. The Trust is a self-supporting entity, but is considered to be a component unit of the Town of Stringtown. The Town of Stringtown incurs no liability in the case of default on loans obtained by the Trust.

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 - LONG-TERM DEBT

USDA Rural Development (RD)

The Trust is indebted to Rural Development under the terms of an installment note which is collateralized by the Trust's distribution facilities and a pledge of revenues of the Trust. The note is payable in monthly installments of \$343.00 at an interest rate of 5.0% for forty years.

Changes in Long-Term Debt:

| | 2013 | Additions | Retirements | 2014 |
|------------------------|-----------|-----------|-------------|-----------|
| Note Payable - USDA RD | \$ 45,056 | \$ - | \$ (1,906) | \$ 43,150 |
| Total Long-Term Debt | 45,056 | - | (1,906) | 43,150 |

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2014, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|-----------|-----------|-----------|
| 2015 | \$ 2,013 | \$ 2,103 | \$ 4,116 |
| 2016 | 2,107 | 2,009 | 4,116 |
| 2017 | 2,215 | 1,901 | 4,116 |
| 2018 | 2,328 | 1,788 | 4,116 |
| 2019 | 2,447 | 1,669 | 4,116 |
| 2020-2024 | 14,247 | 6,333 | 20,580 |
| 2025-2029 | 17,793 | 2,295 | 20,088 |
| Total | \$ 43,150 | \$ 18,098 | \$ 61,248 |

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 - GOVERNMENTAL FUND BALANCES

Town of Stringtown
Disclosure of Fund Balances Reported on Balance Sheet
For Fiscal Year Ending June 30, 2014

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|-----------------------|-------------------|--------------------------------|--------------------------------|
| <u>FUND BALANCES:</u> | | | |
| Restricted for: | | | |
| Road Maintenance | - | 14,987 | 14,987 |
| Assigned to: | | | |
| Fire Department | - | - | - |
| Police & Fire | 103,117 | - | 103,117 |
| Other purposes | - | 14,178 | 14,178 |
| Unassigned | 206,708 | 11,965 | 218,673 |
| Total | <u>\$ 309,825</u> | <u>\$ 41,130</u> | <u>\$ 350,955</u> |

NOTE 11 - RISK MANAGEMENT

The Town's risk management of loss consists of commercial insurance for property and liability losses, employees' bonds for employee dishonesty, and worker's compensation through the State Insurance Fund. There have been no significant reductions in insurance coverage during the year ended June 30, 2014.

NOTE 12 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through December 11, 2014, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2014.

TOWN OF STRINGTOWN, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|------------------|------------|------------|---------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive (Negative) |
| Beginning Budgetary Fund Balance: | \$ 269,837 | \$ 269,837 | \$ 269,837 | \$ - |
| <u>Resources (Inflows):</u> | | | | |
| Taxes: | | | | |
| Franchise Tax | 11,010 | 11,010 | 13,416 | 2,406 |
| Fines | 434,680 | 434,680 | 237,837 | (196,843) |
| Licenses | 200 | 200 | 210 | 10 |
| Intergovernmental: | | | | |
| Alcoholic Beverage Tax | 10,890 | 10,890 | 13,475 | 2,585 |
| Gasoline Excise Tax | - | - | - | - |
| Motor Vehicle Tax | - | - | - | - |
| Cigarette Tax | 810 | 810 | 808 | (2) |
| Sales Tax | 39,820 | 39,820 | 47,720 | 7,900 |
| Sales Tax - County | 19,910 | 19,910 | 23,860 | 3,950 |
| Grants | - | - | - | - |
| Miscellaneous Income | 3,800 | 3,800 | 23,515 | 19,715 |
| Interest Income | - | - | 420 | 420 |
| Sale of Assets | - | - | - | - |
| Amounts available for appropriation | 790,957 | 790,957 | 631,098 | (159,859) |
| <u>Charges to Appropriations (Outflows):</u> | | | | |
| General Government | 168,950 | 168,950 | 138,105 | 30,845 |
| Police Protection | 368,385 | 368,385 | 130,408 | 237,977 |
| Fire Protection | 25,500 | 25,500 | 7,086 | 18,414 |
| Highways & Streets | 61,600 | 61,600 | 43,760 | 17,840 |
| Capital Outlay | 166,522 | 166,522 | 1,914 | 164,608 |
| Transfers | - | - | - | - |
| Total Charges to Appropriations | 790,957 | 790,957 | 321,273 | 469,684 |
| Prior Year Adjustments to Fund Balance | - | - | - | - |
| Ending Budgetary Fund Balance | - | - | 309,825 | 309,825 |

Unaudited

TOWN OF STRINGTOWN, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|------------------|-----------|-----------|---------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive (Negative) |
| Beginning Budgetary Fund Balance: | \$ 28,554 | \$ 28,554 | \$ 28,554 | \$ - |
| <u>Resources (Inflows):</u> | | | | |
| Taxes: | | | | |
| Franchise Tax | - | - | - | - |
| Intergovernmental: | | | | |
| Alcoholic Beverage Tax | - | - | - | - |
| Gasoline Excise Tax | - | - | 730 | 730 |
| Motor Vehicle Tax | - | - | 3,665 | 3,665 |
| Grants | 3,960 | 3,960 | 10,495 | 6,535 |
| Miscellaneous Income | - | - | 3,931 | 3,931 |
| Interest Income | - | - | 64 | 64 |
| Amounts available for appropriation | 32,514 | 32,514 | 47,439 | 14,925 |
| <u>Charges to Appropriations (Outflows):</u> | | | | |
| General Government | - | - | - | - |
| Police Protection | 8,023 | 8,023 | 55 | 7,968 |
| Fire Protection | - | - | - | - |
| Highways & Streets | - | - | - | - |
| Capital Outlay | 24,491 | 24,491 | 6,254 | 18,237 |
| Transfers | - | - | - | - |
| Total Charges to Appropriations | 32,514 | 32,514 | 6,309 | 26,205 |
| Prior Year Adjustments to Fund Balance | - | - | - | - |
| Ending Budgetary Fund Balance | - | - | 41,130 | 41,130 |

Unaudited

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2014

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

The Statement of Revenues Collected, Expenditures, and Changes in Fund Balances - Budget and Actual for the General Fund, Street & Alley Fund, D.A.R.E. Fund, Drug Fund, CDBG Fund and Volunteer Fire Fund present comparisons of legally adopted budgets with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. Unused appropriations of annually budgeted funds lapse at the end of the year

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Town Council
Town of Stringtown, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stringtown, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Stringtown, Oklahoma's basic financial statements, and have issued our report thereon dated December 11, 2014. The Town of Stringtown, Oklahoma has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, except that the Town did not present the required MD&A.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Stringtown's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Stringtown's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Stringtown's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material

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weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that we consider to be significant deficiencies. Those deficiencies are listed as Item 14-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Stringtown's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Town of Stringtown's Response to Findings

Town of Stringtown's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Town of Stringtown's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC

December 11, 2014

TOWN OF STRINGTOWN, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2014

INTERNAL CONTROL FINDINGS:

Item 14-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction. The segregation of duties is important to have adequate control over financial assets.

Condition: The Town has the same employees performing work normally segregated between two or more employees, including recording cash receipts and disbursements, maintaining the general ledger and payroll. Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: At this time, it is not economically feasible for the Town to hire additional employees. Therefore, direct oversight of incompatible activities by members of the Board can provide the necessary control.

COMPLIANCE FINDINGS:

None

TOWN OF STRINGTOWN, OKLAHOMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

| | SPECIAL REVENUE FUNDS | | | | | Total Nonmajor Governmental Funds |
|--|------------------------|-----------------|------------------|------------------|--------------|--|
| | Street & Alley Fund | Drug Fund | Fire Fund | D.A.R.E. Fund | CDBG Fund | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 14,612 | \$ 6,696 | \$ 18,220 | \$ 7,482 | \$ - | \$ 47,010 |
| Accounts Receivable | 375 | - | - | - | - | 375 |
| TOTAL ASSETS | <u>\$ 14,987</u> | <u>\$ 6,696</u> | <u>\$ 18,220</u> | <u>\$ 7,482</u> | <u>\$ -</u> | <u>\$ 47,385</u> |
| LIABILITIES & FUND EQUITY | | | | | | |
| LIABILITIES: | | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to General Fund | - | - | 6,255 | - | - | 6,255 |
| Due to Drug Fund | - | (300) | - | 300 | - | - |
| TOTAL LIABILITIES | <u>-</u> | <u>(300)</u> | <u>6,255</u> | <u>300</u> | <u>-</u> | <u>6,255</u> |
| FUND BALANCES: | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | 14,987 | - | - | - | - | 14,987 |
| Committed | - | - | - | - | - | - |
| Assigned | - | 6,996 | - | 7,182 | - | 14,178 |
| Unassigned | - | - | 11,965 | - | - | 11,965 |
| TOTAL FUND BALANCES | <u>14,987</u> | <u>6,996</u> | <u>11,965</u> | <u>7,182</u> | <u>-</u> | <u>41,130</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 14,987</u> | <u>\$ 6,696</u> | <u>\$ 18,220</u> | <u>\$ 7,482</u> | <u>\$ -</u> | <u>\$ 47,385</u> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF STRINGTOWN, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | SPECIAL REVENUE FUNDS | | | | | Total Nonmajor Governmental Funds |
|---|------------------------|-----------------|------------------|------------------|--------------|--|
| | Street & Alley Fund | Drug Fund | Fire Fund | D.A.R.E. Fund | CDBG Fund | |
| REVENUES: | | | | | | |
| Taxes: | | | | | | |
| Franchise Tax | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental: | | | | | | |
| Alcoholic Beverage Tax | - | - | - | - | - | - |
| Gasoline Excise Tax | 730 | - | - | - | - | 730 |
| Motor Vehicle Tax | 3,665 | - | - | - | - | 3,665 |
| Grants | - | 6,021 | 4,474 | - | - | 10,495 |
| Miscellaneous Income | 3,581 | 150 | 200 | - | - | 3,931 |
| Interest Income | 44 | 5 | - | 15 | - | 64 |
| TOTAL REVENUES | 8,020 | 6,176 | 4,674 | 15 | - | 18,885 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Public Safety | 19 | 36 | - | - | - | 55 |
| Fire Protection | - | - | - | - | - | - |
| Highways & Streets | - | - | - | - | - | - |
| Capital Outlay | - | - | 6,254 | - | - | 6,254 |
| TOTAL EXPENDITURES | 19 | 36 | 6,254 | - | - | 6,309 |
| EXCESS OF REVENUES OVER (UNDER) | | | | | | |
| EXPENDITURES | 8,001 | 6,140 | (1,580) | 15 | - | 12,576 |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Operating Transfers In | - | - | - | - | - | - |
| Operating Transfers Out | - | - | - | - | - | - |
| Capital Debt Proceeds | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - | - | - |
| NET CHANGES IN FUND BALANCES | 8,001 | 6,140 | (1,580) | 15 | - | 12,576 |
| FUND BALANCE - BEGINNING OF YEAR | 6,986 | 856 | 13,545 | 7,167 | - | 28,554 |
| FUND BALANCE - PRIOR YEAR ADJUSTMENT | - | - | - | - | - | - |
| FUND BALANCE - END OF YEAR | \$ 14,987 | \$ 6,996 | \$ 11,965 | \$ 7,182 | \$ - | \$ 41,130 |

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